

MONTHLY UPDATE

June 2020

Share Price

\$0.98

MLN NAV

\$1.05

Warrant Price

\$0.10

DISCOUNT¹

4.4%

as at 31 May 2020

A WORD FROM THE MANAGER

Marlin's gross performance for May was +7.4%, while the Adjusted NAV return for the month was 6.5%. These returns were ahead of our global benchmark which gained 5.2%.

May saw a continuation of April's rebound in global equity markets. Covid-19 once again dominated the news, although increasingly focus turned to relaxation of lockdown measures from the health crisis.

Clearly, reopening is a positive. Economies can start to grow again, albeit from very low levels, and jobs will be restored. How much of a recovery and how soon are the obvious open questions. To date, equity markets have found cause for optimism.

In the US, the S&P 500 climbed to end the month 4.8% higher and is now just 10% below the February peak. US corporate earnings reports for the first quarter of 2020 drew to a close in May. Defensive sectors such as consumer staples, utilities and healthcare were more resilient and had positive earnings growth. High demand for technology driven by more people working from home helped to keep earnings in the IT sector robust. Financials, energy and consumer discretionary were the worst hit sectors.

European and Japanese stock markets, typically more cyclical, also ended the month higher. Much of the attention in Europe has been over a European Union wide recovery plan.

Emerging market equities lagged during May, returning 0.8% in local currency. Reports of Covid-19 cases trending down in Asia was offset by large increases in India and Brazil putting pressure on their economies.

Portfolio Company Developments

Among companies reporting first quarter earnings in May were brick and mortar retailers **TJX (+7.5%)** and **Floor and Décor (+22.6%)**. TJX, which has a third of stores open, provided positive commentary on sales being higher than last year at stores open longer than a week. With plenty of excess inventory in the marketplace, TJX expects to be able to purchase high quality brands at large discounts, passing savings onto customers. Floor and Décor management struck an optimistic tone on their earnings call with investors. The share price has been well supported throughout the month as States across America reopen. This culminated with a sharp rally at month end on US house sale data that was much better than expected.

Shares in aircraft component manufacturer, **Heico (+15%)**, had a strong May. This was driven by both the rotation into more cyclical names and better-than-expected earnings. While revenue from Flight Support Group, which supplies aftermarket parts to airlines fell 18% in the quarter on a significant decrease in global air travel, the rest of the business performed better than expected. The Electronic Technologies Group grew 2% highlighting the more defensive nature of its core defence and space customers. Despite lower revenues overall, the impact on profit margins was muted as the company did a good job of managing costs. While the recovery in the aerospace sector will take time, management is hopeful that May marks the bottom of the crisis. Heico expects to benefit from the recovery as its lower priced aircraft parts are increasingly attractive to cash-strapped airlines. Lastly, management commented that the current environment is creating opportunities to acquire other niche manufacturers, which has been a key part of Heico's long-term growth story.

During the month, **Facebook (+10%)** share price responded positively to the launch of Facebook Shops. This pushes the company further towards e-commerce. The development gives the 160 million predominantly small and medium sized businesses across Facebook's platforms the ability to provide a seamless shopping experience for the platforms 2 billion odd members. Users will be able to discover new products through business storefronts on Facebook and Instagram or buy products seen in ads or stories without leaving the platform. Facebook will charge a fee on each purchase, but the majority of monetisation will come from driving more advertising.

E-commerce platform, **Alibaba (-2.3%)** underperformed for the month despite strong earnings results. Revenue grew 22% in the first quarter even as China was impacted by Covid-19. Sale of physical goods on the Tmall ecommerce marketplace grew 10% as China's lockdown accelerated e-commerce adoption, especially in categories like online groceries. The company noted that growth rates have now recovered to near pre-Covid levels. However, this positive news was overshadowed by increasing tensions between the US and China. In addition to the ongoing discussions around trade, US legislators have proposed tightening the rules around foreign company listings on US stock exchanges, with a threat of delisting if the rules are not adhered to. Alibaba is also listed on the Hong Kong Stock

¹ Share Price Discount to NAV (including warrant price on a pro-rated basis and using NAV to four decimal places).

Exchange, which we think lowers the overall risk to the company. We continue to closely follow any further developments on this proposal and the wider US-China tensions.

Portfolio changes

We added **Stone Co (+18.7%)** to the portfolio in May. Stone is a rapidly growing payment service provider in Brazil that allows small merchants to accept digital payments in-store and online. Stone was founded in 2012 by Andre Street and Eduardo Pontes in response to deregulation in the Brazilian payments market, which allowed competition with the two bank-owned payment providers for the first time. Stone's technology, service and unique business model has proven disruptive and enabled them to gain significant traction in only six years since the launch of its service. They are now the largest independent payment service provider in Brazil with 7% market share and grew

payment volumes by 55% in 2019. Digital payment penetration is still in its infancy in Brazil compared to other markets, but is increasing rapidly. This shift is driven by the move away from cash in physical stores and growth in e-commerce, two secular trends which have recently accelerated as a result of Covid-19. All considered we believe Stone is an attractive founder-led business with many years of growth ahead.



Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited



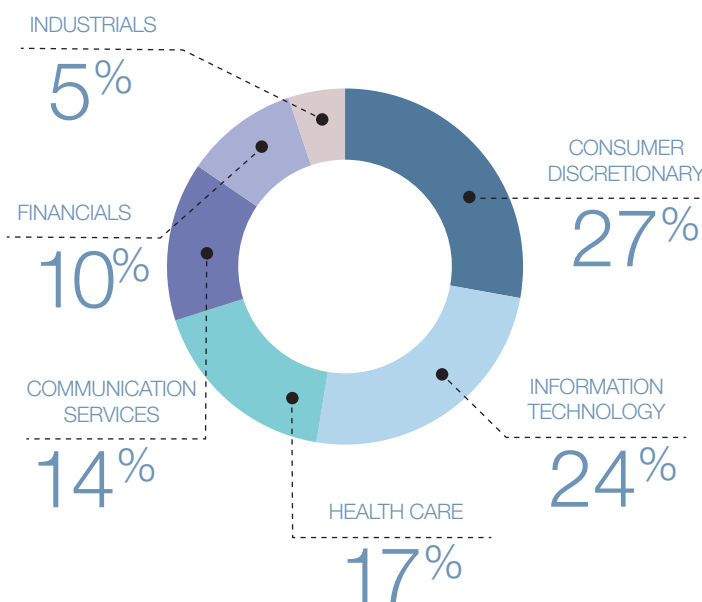
KEY DETAILS

as at 31 May 2020

FUND TYPE	Listed Investment Company
INVESTS IN	Growing international companies
LISTING DATE	1 October 2007
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	25-35 stocks
INVESTMENT CRITERIA	Long-term growth
PERFORMANCE OBJECTIVE	Long-term growth of capital and dividends
TAX STATUS	Portfolio Investment Entity (PIE)
MANAGER	Fisher Funds Management Limited
MANAGEMENT FEE RATE	1.25% of gross asset value (reduced by 0.10% for every 1% of underperformance relative to the change in the NZ 90 Day Bank Bill Index with a floor of 0.75%)
PERFORMANCE FEE HURDLE	Changes in the NZ 90 Day Bank Bill Index + 5%
PERFORMANCE FEE	10% of returns in excess of benchmark and high water mark
HIGH WATER MARK	\$0.89
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	151m
MARKET CAPITALISATION	\$148m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

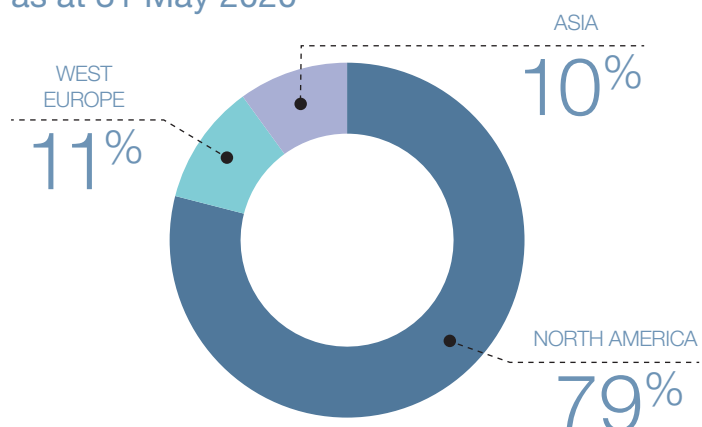
as at 31 May 2020



The Marlin portfolio also holds cash.

GEOGRAPHICAL SPLIT

as at 31 May 2020



MAY'S BIGGEST MOVERS in local currency terms

Typically the Marlin portfolio will be invested 90% or more in equities.

PAYPAL HOLDINGS

+26%

DOLLAR TREE

+23%

FLOOR & DÉCOR HOLDINGS

+23%

STONECO

+19%

TYLER TECHNOLOGIES

+17%

5 LARGEST PORTFOLIO POSITIONS as at 31 May 2020

ALPHABET

7%

FACEBOOK

7%

PAYPAL HOLDINGS

6%

MASTERCARD

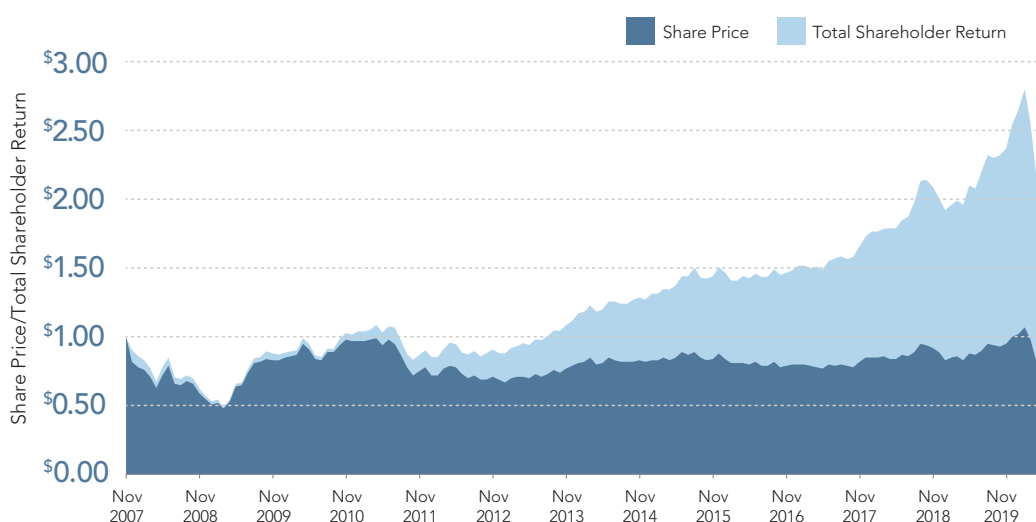
5%

SIGNATURE BANK

5%

The remaining portfolio is made up of another 21 stocks and cash.

TOTAL SHAREHOLDER RETURN to 31 May 2020



PERFORMANCE to 31 May 2020

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+9.4%	+2.6%	+26.1%	+19.1%	+12.7%
Adjusted NAV Return	+6.5%	+6.7%	+21.2%	+14.8%	+11.4%
Portfolio Performance					
Gross Performance Return	+7.4%	+8.1%	+24.7%	+18.0%	+15.1%
Benchmark Index [^]	+5.2%	(2.4%)	+3.2%	+5.5%	+7.1%

[^]Benchmark index: World Small Cap Gross Index until 30 September 2015 & S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD) from 1 October 2015

Non-GAAP Financial Information

Marlin uses non-GAAP measures, including adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » adjusted net asset value – the underlying value of the investment portfolio adjusted for capital allocation decisions after expenses, fees and tax,
- » adjusted NAV return – the net return to an investor after expenses, fees and tax,
- » gross performance return – the Manager's portfolio performance in terms of stock selection and currency hedging before expenses, fees and tax, and
- » total shareholder return – the return combines the share price performance, the warrant price performance, the net value of converting any warrants into shares, and the dividends paid to shareholders. It assumes all dividends are reinvested in the company's dividend reinvestment plan, and that shareholders exercise their warrants, (if they were in the money) at warrant expiry date.

All references to adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return in this monthly update are to such non-GAAP measures. The calculations applied to non-GAAP measures are described in the Marlin Non-GAAP Financial Information Policy. A copy of the policy is available at <http://marlin.co.nz/about-marlin/marlin-policies/>

ABOUT MARLIN GLOBAL

Marlin is an investment company listed on the New Zealand Stock Exchange. The company gives shareholders an opportunity to invest in a diversified portfolio of between 25 and 35 quality growing international companies (excluding New Zealand and Australia) through a single, professionally managed investment. The aim of Marlin is to offer investors competitive returns through capital growth and dividends.

MANAGEMENT

Marlin's portfolio is managed by Fisher Funds Management Limited. Ashley Gardyne (Senior Portfolio Manager), Chris Waters and Harry Smith (Senior Investment Analysts) have prime responsibility for managing the Marlin portfolio. Together they have significant combined experience and are very capable of researching and investing in the quality global companies that Marlin targets. Fisher Funds is based in Takapuna, Auckland.

BOARD

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. The Board of Marlin comprises independent directors Alistair Ryan (Chair), Carol Campbell, and Andy Coupe; and non-independent director Carmel Fisher.

CAPITAL MANAGEMENT STRATEGIES

Regular Dividends

- » Quarterly distribution policy introduced in August 2010
- » Under this policy, 2% of average NAV is targeted to be paid to shareholders quarterly
- » Dividends paid by Marlin may include dividends received, interest income, investment gains and/or return of capital
- » Shareholders who prefer to have increased capital rather than a regular income stream have the opportunity to participate in the company's dividend reinvestment plan (DRP)
- » Shares issued to DRP participants are at a 3% discount to market price
- » Marlin became a portfolio investment entity on 1 October 2007. As a result, dividends paid to New Zealand tax resident shareholders have not been subject to further tax

Share Buyback Programme

- » Marlin has a buyback programme in place allowing it (if it elects to do so) to acquire its shares on market
- » Shares bought back by the company are held as treasury stock
- » Shares held as treasury stock are available to be re-issued for the dividend reinvestment plan

Warrants

- » On 17 October 2019, a new issue of warrants (MLNWD) was announced
- » The warrants were issued at no cost to eligible shareholders and in the ratio of one warrant for every four Marlin shares held
- » Exercise Price = \$0.94 per warrant, to be adjusted down for dividends declared during the period up to the Exercise Date
- » Exercise Date = **6 November 2020**
- » The final Exercise Price will be announced and an Exercise Form will be sent to warrant holders in **September 2020**

Disclaimer: The information in this update has been prepared as at the date noted on the front page. The information has been prepared as a general summary of the matters covered only, and it is by necessity brief. The information and opinions are based upon sources which are believed to be reliable, but Marlin Global Limited and its officers and directors make no representation as to its accuracy or completeness. The update is not intended to constitute professional or investment advice and should not be relied upon in making any investment decisions. Professional financial advice from an authorised financial adviser should be taken before making an investment. To the extent that the update contains data relating to the historical performance of Marlin Global Limited or its portfolio companies, please note that fund performance can and will vary and that future results have no correlation with results historically achieved.



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